

A Work Project, presented as part of the requirements for the Award of a Master Degree in Economics / Finance / Management from the Nova School of Business and Economics.

How is co-creation influencing consumer behavior in the smartphone sector in China?

Case study research on Xiaomi consumers.

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How is co-creation influencing consumer behavior in the smartphone sector in China?

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Abstract This report aims at answering the question of how co-creation is influencing consumer behavior in the smartphone sector in China, with a focus on co-creation and its relation to the field of branding. To solve this question, a case study research on Xiaomi consumers is conducted. The results from the research include that consumers involved in co-creation have a more positive brand image and stronger brand relationship, and gain a strong purchase intention.

Key words Co-creation, Consumer Behavior, China, Xiaomi

1. Introduction

From March to September in 2014, I worked as a research assistant of Dr. Du Wenyu at Renmin University of China School of Business. During this period, I participated in a research project sponsored by *Haier* to study its current strategic transformation into a more digital company. *Haier* is one of the most famous and successful white appliance firms in China and, as a traditional manufacturer, in 2013 it envisioned the risk of being left behind in the era of Internet. Since then, *Haier* has taken several measures to turn the company more digital and one of the key elements of its strategic transformation is to better engage consumers in its product design and marketing. Through this research project for *Haier*, I began to see the rising trend of consumer empowerment not only in China but also in the world. When I took the Brand Management course taught by Professor Catherine da Silveira at Nova School of Business and Economics(NovaSBE) in the spring of 2016, I learned the concept of co-creation and it instantly captured my attention, because it reminded me of what *Haier* did to engage consumers. At the end of this course, based on my previous experience

with *Haier* and my curiosity on the concept of co-creation, I decided to conduct research on how the practice of co-creation influenced consumer behavior. More specifically, the objectives of this Work Project are to explore whether co-creation between brands and consumers 1) makes brands regarded as more authentic and sincere, 2) builds up trust and commitment between brands and consumers, 3) influences consumers' purchasing decisions.

To answer those questions in a more concrete way, I decided to use a case study research as my methodology in this Work Project. As I come from China, I decided to choose China as the context of my study. *Xiaomi*, a Chinese high-tech company, has attracted my attention because of its widely-reported business model, in which co-creation is key. One of my friends is a senior *Xiaomi* user and he could provide me access to some active *Xiaomi* users who participate in the process of co-creation. So I decided to choose *Xiaomi* as the unit of analysis of my case study.

2. Background

The literature review on branding concepts, co-creation and secondary data on co-creation in China grounded the approach reflected in this Work Project. Additionally, this section presents *Xiaomi* and its smartphone division.

2a. Literature review on branding concepts

Brand image: A simplified model of brand identity, positioning and image articulation is presented (Silveira, 2016) in the Brand Management course at NovaSBE (see Figure 1). Keller (1993) defines brand image as the consumers 's perception about a brand, as reflected by the brands associations held in consumer memory. Consumers can form brand associations from brand marketing activities, direct experience, information including consumer reports and community opinions. Associations may include product attributes, a person, a particular

symbol, a particular country or region and so on. The rationality behind the concept of brand image is that consumers are not just buying products or services, they are also “incorporating” the image of the brand associated with the products or services.

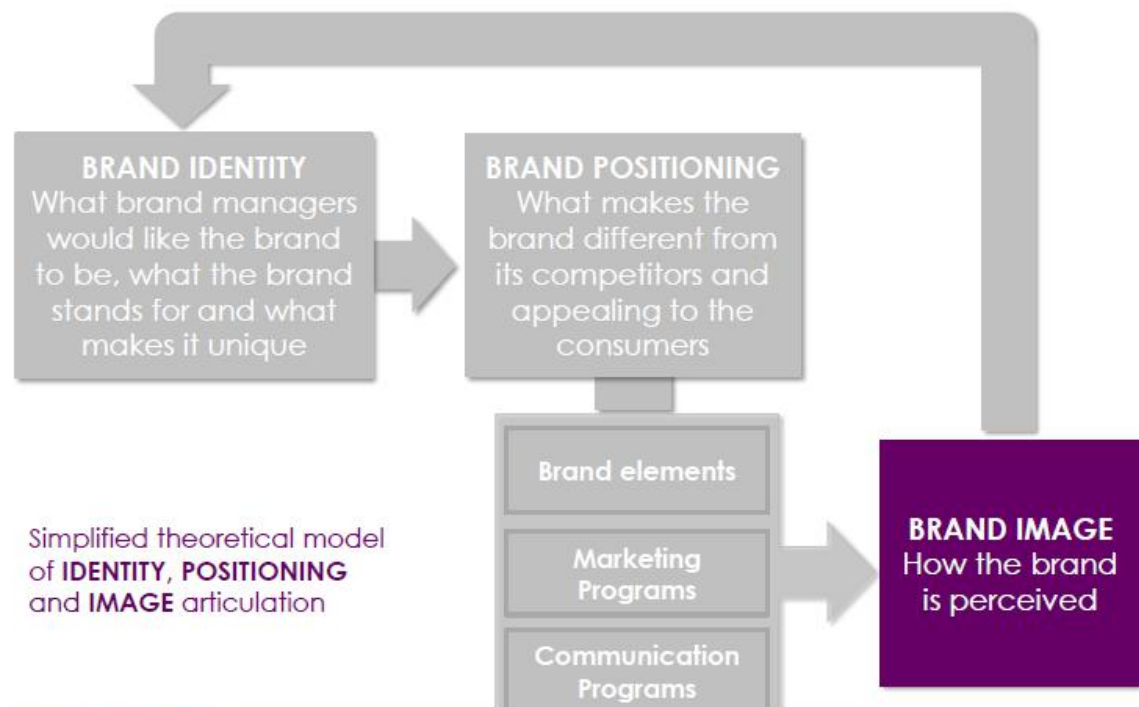


Figure 1: Slide on the articulation between the main Branding concepts, provided in the Brand Management course at NovaSBE in 2016 spring.

Brand relationship: Many approaches of the concept of brand relationship have been developed (Fetsherin & Heinrich, 2014). I will use the Brand Relationship Quality index developed by Fournier (1998). According to Fournier, brand relationship has six facets: Love and passion, Self -connection, Interdependence, Commitment, Intimacy and Brand partner quality.

“ Love/passion refers to the intensity and depth of the emotional ties between the consumer and the brand... Self-connection reflects the degree to which the brand delivers on important identity concerns, tasks, or themes, thereby expressing a significant aspect of the

consumer' s self. Personal commitment captures the strength of attitudinal stability toward a relationship. Intimacy refers to the degree of closeness, mutual understanding, and openness between relationship partners... Partner quality represents consumer evaluation of the brand' s performance in the relationship... Behavioral interdependence refers to the degree to which the actions and reactions of relationship partners are intertwined..."(Thorbjørnsen et al.,2002, p.21).

Brand Community and Member: With the help of uprising new communication technology, many firms are now building online engagement platforms to interact with their consumers. On those platforms, consumers can recommend brands and products, provide suggestions to firms, help other consumers, and develop many other activities to make their own impact on firms and brands. Under this context, a large amount of brand communities emerge outside firms. Muniz and O'Guinn (2001, p.421) defines brand community as "a specialized, non-geographically bound community, based on a structured set of social relations among admirers of a brand."

In the process of interaction, some consumers build strong connections with the brands and become brand internal members. Defined by Silveira (2016), brand internal members are consumers who identify with the brand, incorporate brand values and character within themselves as guiding principles, and experience the brand successes and failures as their own. Those brand internal members work together with firms to build brands (Gregory, 2007). Under the context of co-creation, consumers tend to regard themselves as brand insiders and brand is not just an asset owned by firms but shared with consumers (Ind et al., 2013).

2b. Literature review on co-creation

Recent years have witnessed increasing attention on the topic of co-creation (Grönroos, 2008; 2011; 2012; Grönroos & Ravald, 2011; Lusch & Vargo, 2006; 2012; Vargo & Lusch, 2004; 2006; 2008; Prahalad, 2004; Prahalad & Ramaswamy, 2004; Ramaswamy, 2011; Ind et al., 2013). In the early stage of the study of co-creation, this concept is strongly related to the service-dominant logic (Lusch & Vargo, 2006; Vargo & Lusch, 2004; 2006; 2008). In the service-dominant logic concept, consumers are actively involved in the value creation process of the firm, rather than just buying products or services from this firm (Prahalad & Ramaswamy, 2004). Vargo and Lusch (2004; 2006; 2008; 2010; 2014) proposed ten foundational premises for this service-dominant logic as follows (Vargo & Lusch, 2008, p.7):

“FP1: Service is the fundamental basis of exchange;

FP2: Indirect exchange masks the fundamental basis of exchange;

FP3: Goods are a distribution mechanism for service provision;

FP4 Operant resources are the fundamental source of competitive advantage.

FP5 All economies are service economies.

FP6 The customer is always a co-creator of value.

FP7 The enterprise cannot deliver value, but only offer value propositions.

FP8 A service-centred view is inherently customer oriented and relational.

FP9 All social and economic actors are resource integrators.

FP10 Value is always uniquely and phenomenologically determined by the beneficiary.”

As FP6 suggests, in the service-dominant logic, the consumer is always co-creating value with firms and firms cannot create value alone. Grönroos (2008, p.303) defines value here as “a process through which the customer becomes better off in some respect”. Vargo and Lusch (2006, p.44) argue that value in this co-creation process is “a joint function of the

actions of the provider(s) and the customer(s), but is always determined by the customer”. Their definitions mean that value is defined by consumers not firms, making co-creation a strongly consumer-oriented concept.

Based on the service-dominant logic, co-creation has been defined in different ways (Grönroos & Ravald, 2011; Grönroos, 2012). And there are two most accepted approaches to co-creation: product/service-centric co-creation approach and experience-centric co-creation approach.

The *product/service-centric co-creation approach*. In this approach, co-creation is defined as “the practice of developing systems, products, or services through collaboration with customers, managers, employees, and other stakeholders” (Ramaswamy, 2011, p.195) and a process with “consumers getting involved in co-designing and co-producing products and services. Consumers have work, service, and risks transferred from the firm, and both the consumer and the firm benefit” (Prahalad, 2004, p.23). Consumers and firms both devote resources and the context is jointly shaped by them.

The *experience-centric co-creation approach*. This approach is defined as “the staging of an experience in which the firm constructs the context and the consumer is part of it (e.g. Disney World). The consumer is involved and engaged, but the context is firm driven” (Prahalad, 2004, p.23). Ramaswamy (2011, p.195) defines the core principle of co-creation as “engaging people to create valuable experiences together, while enhancing network economics”, and states four premises for his logic of value and its creation:

“P1. Value is a function of human experiences

P2. Experiences come from interactions

P3. A firm is any entity that facilitates this creation of experience-based value through interactions. Engagement platforms are the means to creating value together

P4. Co-creation is the process by which mutual value is expanded together, where value to participating individuals is a function of their experiences, both their engagement experiences on the platform, and productive and meaningful human experiences that result” (Ramaswamy, 2011, p.195).

In this Thesis, I will use the experience-centric co-creation approach.

2c. Co-creation in China

After nearly forty years of rapid economic growth since 1978, Chinese consumers have already walked out of poverty of choices. China has witnessed fast development of urbanization, rising of middle class and spread of higher education. These factors, combined, contribute to consumer upgrading in China. Now, Chinese consumers want to have more personalized products and services and even participate in creation.

This trend is further encouraged by the fast development of Internet technology.. Digital platforms like *Weibo* and *Wechat* arose and soon showed great influences on the society and the business world. With the help of those tools, every consumer can make his/her voice heard easily and posts on those platforms can spread quickly. Now, consumers can talk with their peers and when they make buying decisions, they can use comments and recommendations made by others. Firms are no longer dominating in terms of the right to speak, but have to listen to consumers carefully. Those digital platforms make the interactions between firms and consumers much more feasible and convenient than ever at a large scale.

In response to the rise of consumer empowerment and fierce competition, many Chinese firms have decided to transform themselves to become more digital and have recently adopted co-creation as a new strategy to better engage consumers. Terms such as “Economy of Fans”, “Open Innovation”, and “Boundless Organization” have been very popular in recent years. Some firms such as *Xiaomi* and *LeTV*, born with the so-called “Internet DNA”, have

implemented co-creation since their launch, and co-creation is a main driver of their success. At this precise moment, it is rather hard to give a whole picture of the conversion because the transformation is still on-going and only few firms have completed the process. But for those who already have, based on my research, there is a pattern for co-creation and co-engagement, which we can be summarize into five stages.

1st stage: **Community** – Build community and attract fans.

2nd stage: **Beta** –Design products according to user needs and let fan users try out new products afterwards. Then collect opinions from fans and improve products based on those opinions. Some fans are also invited to directly co-develop the brand.

3rd stage: **Mass Production** – during this process, product release conference, social media marketing and offline selling are very important. Let fans do marketing for the brand.

4th stage: **Connection** – selling the product is not the end of the process as various online and offline channels are developed to further engage consumers.

5th stage: **Extension** – develop products and services around core products to earn more profits.

During the whole process, firms build frameworks to engage users, and fans are managed as “semi-staff” and therefore regarded as brand internal members. Confronting this model to the one presented in the Brand Management course (Silveira, 2016) at NovaSBE, in terms of communities, in China, firms usually take the initiative to form users’ communities, which seems more a top-down process than the process observed in western countries.

2d. What is Xiaomi?

Xiaomi is a privately owned Chinese electronics company headquartered in Beijing and was co-founded by eight partners on 6 April 2010. One of the company's co-founder and

CEO is Lei Jun, a famous entrepreneur and successful businessman in China. Xiaomi designs, develops and sells smart phones, mobile apps, laptops and related consumer electronics. Officially, the three main products of Xiaomi are Xiaomi phone, MIUI (an operating system based on Android) and Michat (an online chatting app similar to Wechat). These products are

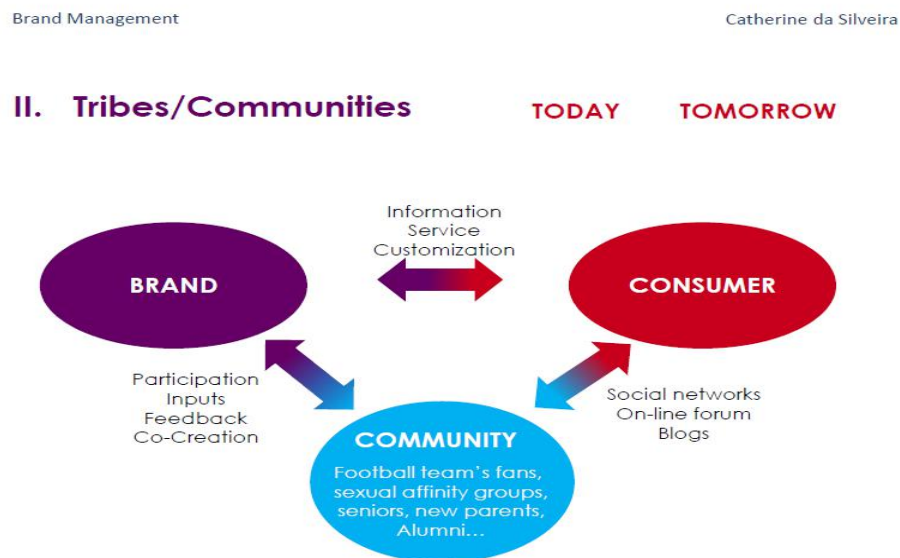


Figure 2: Slide on Tribes and Communities provided in the Brand Management course at NovaSBE in 2016 spring.

fully integrated, with Xiaomi phone as the hardware and MIUI apps like Michat as software. Although it is still a young company, Xiaomi has achieved huge success. According to International Data Corporation (2016), in 2015, *Xiaomi* sold about 64.9 million smart phones and ranked No.1 in China. From 2011, the year when *Xiaomi* smartphone was created, to 2015, *Xiaomi* sold about 160 million smart phones in total.

The brand name "mi" means Mobile Internet and millet in Chinese. The two most famous slogans of *Xiaomi* are “Only for fans” and “Born to burn” which indicate that *Xiaomi* really cares about its fans and encourages its fans to participate in co-creation. As a matter of fact, the huge success of *Xiaomi* would not have been possible without the active participation

of its fans. Within this perspective, *Xiaomi* revolutionized the whole China smartphone industry.

2e. *Xiaomi* smartphone Division

Product. *Xiaomi* currently sells two smartphone series: Mi Series and Redmi Series. *MIUI* and *Xiaomi* apps like *Michat* are pre-installed in the phones.

Price. Redmi Series are cheaper than Mi Series. Nowadays, the price for Mi Series varies from 200 to 350 euros and the price for Redmi varies from 100 to 200 euros. *Xiaomi* employs a pricing strategy very different from other smartphone makers such as *Samsung* or *Apple*. Lei Jun said that the company priced the phone almost at bill-of-material prices without compromising the components quality and performance compared to other premium smart phones.

Place. To further reduce costs, *Xiaomi* initially did not own any physical stores, selling exclusively from its online store. Now it has *MiHome*, to serve as a place for consumers to experience and buy *Xiaomi* products and services.

Promotion. *Xiaomi* mostly relies on social networking services and word-of-mouth to publicize its products. *Xiaomi* has succeeded in building a very active fan base. Those fans are very active in social media to promote *Xiaomi* and its products. Another thing *Xiaomi* did to promote the company is to “use” its CEO, Lei Jun, as its symbol, in other words, the face of the brand.

3. Addressing the topic: How is co-creation influencing consumer behavior in the smartphone sector in China?

3a. Market research methodology

My main research methodology for this project is case study research. Robert K. Yin (1984, p.23) defines the case study research method as “an empirical inquiry that investigates

a contemporary phenomenon in depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident; and it relies on multiple sources of evidence, with data needing to converge in a triangulating fashion, and as another result, and benefits from the prior development of theoretical propositions to guide data collection and analysis” .

My research is based on three sources of data:

- 1) Secondary research: existing literature and reports on *Xiaomi*; articles written by *Xiaomi* fans online;
- 2) Qualitative interviews with 18 consumers divided in two *Xiaomi* user categories 9 consumers each;
- 3) Visits of three *MiHome* stores in Beijing, Shenzhen and Hong Kong.

In the beginning, I intended to design a questionnaire to collect data to do a quantitative analysis in order to complement the qualitative research and store observations. However, during my interviews with *Xiaomi* consumers, I found that due to fierce competition in the smartphone industry in China, *Xiaomi* consumers were generally very suspicious and I was often asked if I was a spy from other companies like *Huawei*. This issue also caused me great difficulty in finding *Xiaomi* consumers to interview and I anticipated such kind of difficulty in getting people to fill an eventual questionnaire, so I had to abandon my initial quantitative research project.

3b. Main insights from the research: What Xiaomi has done to engage consumers in co-creation

3b.1 Touching-points between the brand and its consumers

Online Channels:

1 Online forum: *Xiaomi* has developed two online forums: *Xiaomi* BBS and *MIUI* Forum. Their function is the same, but *MIUI* Forum is more technical. In these two forums,

Xiaomi consumers can talk about their personal experience with *Xiaomi*, meet friends and organize activities, download the newest versions of *MIUI* operating system, make suggestions to *Xiaomi* on its products and services, and enjoy after-sales services.

2 Social media platform: *Xiaomi* is present in mainstream social media platforms in China, including *Weibo*, *Wechat*, *Baidu Tieba*, *QQ Zone*. Every *Xiaomi* employee actively participates in these platforms to communicate with fans and some devoted *Xiaomi* fans volunteer as semi-staff in promoting *Xiaomi* and serving *Xiaomi* other consumers.

3 *Xiaomi* apps: *Xiaomi* has developed apps including *Michat*, *Xiaomi Live*, *Xiaomi Customer Reflection app*. Through these apps, *Xiaomi* consumers can communicate with *Xiaomi* staff and volunteering semi-staff, and get personalized experience advice?.

4 Tech websites: *Xiaomi* owns a tech website (<http://wan.Xiaomi.cn/>) and cooperates with others such as *PCPOP*. Selected *Xiaomi* fans are given newest *Xiaomi* products to use and are invited to write about their personal consuming experience. Co-creation of content is a main way for *Xiaomi* to do marketing.

Offline Channels:

1 *Xiaomi* Fan Club: *Xiaomi* provides necessary resources to help fans form their clubs and when a club is created, *Xiaomi* keeps supporting its operations while *Xiaomi* staff actively participate. Types of Fan Club exist: City club and University club.

2 *Xiaomi* new product release conference: Fans are invited. They can try the newly released products and give feedbacks.

3 *MiHome*: *MiHome* is a store dedicated to offline selling, product experience, *MiFan* activity organization and support and after-sales services. The layout of *MiHome* is very similar to Apple store. Big *MiHomes* stores include a room full of *Xiaomi* products in order to experience *Xiaomi* smart home, a concept very popular nowadays. The picture of

MiHome in Shenzhen (see in Appendix 1) shows this kind of area. One does not need to be a MiFan to join *MiHome*, but most *MiHome* staff are Mifans. *MiHome* staff are encouraged to make friendship with MiFans and participate in MiFan activities.

Other initiatives:

By creating or helping create various platforms and channels to help fans communicate and participate, thus building a sense of community, *Xiaomi* fans realize themselves or achieve their potential by exploiting their creativity. *Xiaomi* has also been developing the following initiatives to better engage fans:

1. Create *Xiaomi* Fan Festivals;
2. Use *Xiaomi* products and MiCoin, a virtual currency that fans can use to acquire *Xiaomi* products and services as gifts;
3. Categorize consumers based on their participation and give certain privileges to different levels of fans;
4. Select *Xiaomi* fans and invite them to work with *Xiaomi*.

In the next section, I describe the initiatives n°3 and 4 in details:

3b.2 Consumer categorization:

Xiaomi employs three levels of criteria to classify its users: 1) activity level, 2) privilege and professional level and 3) engagement level (Pedersen et al., 2015). *Xiaomi* BBS and *MIUI* Forums play a central role in user management and these two online platforms are very similar in organization and user management. Another important thing is that each *Xiaomi* user has a unique *Xiaomi* ID number to log in any *Xiaomi* online platforms and Apps. *Xiaomi* also uses this ID number to identify *Xiaomi* users for offline activities. In this way, *Xiaomi* can easily keep track of each user.

The first criteria of classification is activity level. The frequency of logging on forums and taking part in activities including online discussion and voting represents the activity level of the user, and these levels are not associated with any responsibility.

Then, in the privilege and professional level, *Xiaomi* divide fans between non-special user teams and special user teams. *Xiaomi* does not have a strict control over the non-special user teams and those users can talk freely about everything related to the brand and products. However, *Xiaomi* has put a lot of efforts in regulating special user teams. There are different special teams. For example, in *Xiaomi* BBS, there are: sub-forum moderator team, talents team, consultant team, resource team, MiFan city club president team, MiFan campus club president team, cool play team, shooting team and ROM maker team. The size of each special team and team membership are strictly managed by *Xiaomi*. *Xiaomi* even has job descriptions for different special team memberships. To become a special team user, a user needs to apply for it and meet certain requests as described in a job description (see an example in Appendix 2).

After becoming a special team user, a user takes certain tasks and responsibilities officially given by *Xiaomi*. And *Xiaomi* checks his or her performance monthly and give certain rewards. New members can join, while unqualified members will be kicked out. Special team members are operating the forum with *Xiaomi* together, and in return they have more privileges than non-special team users. As a matter of fact, *Xiaomi* is recognized for eventually recruiting special team users as full-time staff.

The third way is engagement level. Special team users are regarded as core users. Non-special team users can be further divided into active and inactive users according to activity levels. Active users are generally very active in providing suggestions to *Xiaomi*, participating in product features and voting. Core users and active users are MiFans while inactive users cannot be called MiFans due to their low activity.

In this Work Project, I use the engagement level as a reference. As inactive users do not interact frequently with *Xiaomi*, I leave inactive users out and focus on core and active users. I was able to interview nine core users and nine active users.

3b.3 Engaging Consumers in Product development

In the stage of product planning, senior fans are invited to talk about their needs and help *Xiaomi* develop concepts of new products. For example, *MIUI* was co-developed by *Xiaomi* and one hundred senior fans.

In the stage of product design, development and test, *Xiaomi* usually invites fans to vote on new product features and functions and collect suggestions from fans; Then, the brand makes changes based on those feedbacks. Furthermore, fans are encouraged to voluntarily participate in product design and development. For example: *MIUI* has three versions: experience version, development version and stable version. Experience version is updated daily, development version is updated weekly and stable version is updated monthly. Fans can choose which version they want. The update pace is unique and this is a *Xiaomi* point of difference for the consumers. This innovation is a result of inviting fans to co-create. When a new update comes out, consumers give suggestions and provide solutions to *Xiaomi* on eventual problems through different channels. *Xiaomi* is able to respond to those feedbacks on a daily basis.

In the stage of product release and marketing, *Xiaomi* invites fans to participate in conferences and to try new products and then write articles and share unique shopping experience. By co-creation of content and various social media platform, *Xiaomi* makes the best use of word of mouth.

In the after-sales stage, fans are encouraged to help others solving problems through different channels. For example, in *Xiaomi* BBS and *MIUI* Forums, there are specific areas where volunteering fans help other fans addressing their issues. Based on their contribution,

fans are given different titles such as honor fans, and privileges like experimenting new products before others.

3c. Main insights from the interviews: How co-creation influences consumer behavior

3c.1 Influences on Brand Image

When interviewees talk about why they bought *Xiaomi* phones and how they viewed *Xiaomi* before having a phone from the brand, most of them mention that their initial motivation for acquiring a *Xiaomi* phone was its high price-performance ratio. The second most referred initial motivation is the huge word-of-mouth around the brand. Some interviewees mentioned that they were very curious about *Xiaomi* because many people around them talked about *Xiaomi*, which convinced them to try. The following quote illustrates these ideas:

I started to use Xiaomi phone four years ago. I am very demanding of phones and before I used Xiaomi, I used brands like Huawei, Little Pepper and Samsung. Their prices were high for me as a student, but the quality was very disappointing for me. Then I got to know about Xiaomi. I regarded it as a brand with high price-performance ratio and I thought it was best phone which was affordable to me. At that time, in the campus so many people talked about Xiaomi and some of my friends used Xiaomi. I got more and more curious about Xiaomi and really wanted to have one. I waited for six months to get one because of the limited production capacity of Xiaomi, but it was totally worth it. (Male, 21-25 years old, master degree, university student)

However, when interviewees talk about *Xiaomi* now – after having a phone from the brand - they do not describe *Xiaomi* as a cheap brand anymore. *Xiaomi* is now regarded as at least a middle-end brand, strongly related to innovation and to its CEO, Lei Jun:

I do not think Xiaomi is a cheap brand anymore. Quite on the contrary, I think it is a high-end brand. It is probably one of the most innovative companies in China. Personally, I admire Lei Jun a lot. I think he is very charming and I believe that, under his leadership, Xiaomi will get better and better.(Male, 21-25, associate degree, IT industry)

Additionally, interviewees often describe *Xiaomi* as a sincere and authentic brand which really cares about fans and wants “to do good” for its fans. By establishing various platforms to engage consumers, *Xiaomi* is now perceived as sincere, rather than just being a cheap brand:

When I first used Xiaomi, I just thought it was a cheap brand. But as time moves on, I realize that it is a brand that really cares about its fans and can listen to fans. It still keeps its price in a low level and I think Xiaomi really wants to benefit its users(Female, 21-25, associate degree, international trade industry)

You know, Xiaomi really care about its fans. I remember that year, I attended the opening ceremony of a MiHome in Beijing. After that, I went to the headquarters of Xiaomi. Although we were just normal Xiaomi users, Xiaomi managers welcomed us with great pleasure. They listened to my suggestions and I felt very happy about it. (Male, 25-30, bachelor degree, IT industry)

3c.2 Brand Relationship

During my interviews, I found that based on the six facets presented in Section 2a, all interviewees have established very strong brand relationship with *Xiaomi*. When the current MiFans initially started to use *Xiaomi*, they actually did not have any emotional attachment to *Xiaomi*. But after their various actions of co-creation with *Xiaomi*, they evolved from ordinary users to MiFans and built strong emotional connections with *Xiaomi*. It almost seems that Mifans users were brainwashed by *Xiaomi*:

At the beginning, I did not know much about Xiaomi. At that time, I just thought that Xiaomi products were very cheap with good quality and it was a brand very suitable for young men. Now, I am a MiFan and I think Mi phone is the best in the world. And now Xiaomi cares more and more about designing and after sales. I think Xiaomi cares a lot about fans and brings fans together. Other brands would not build online communities and BBS or fans club. I regard Xiaomi as a warm-hearted caring friend of mine. I will surely continue to participate in Xiaomi activities and I feel a sense of belonging when I am with MiFans. (Male, 16 years old, high school student, Beijing)

Generally speaking, participating consumers show great love to *Xiaomi* and regard *Xiaomi* as a sincere and helpful good personal friend of theirs. They think highly of *Xiaomi* products and demonstrate passion for new products. Some claim that their life is “full of *Xiaomi*” and “life without *Xiaomi* would bring great disappointment”

Consumers have a sense of *Xiaomi* community and strongly identify themselves as MiFans. They are proud to let others know their identity as MiFans user and are very protective towards the brand. When recruiting interviewees, and as previously referred, I was frequently asked if I was a spy from a competitor, because Fans were afraid that something harmful to *Xiaomi* could be brought through them.

In their daily life, fans frequently participate in online and offline channels provided by *Xiaomi* and make new friends.. They are also satisfied with how *Xiaomi* performs in their relationships. The main difference between fans on this topic is that core users identify themselves as semi-staff for *Xiaomi* while active users do not; core users have a stronger sense of self-realization:

Before I used Xiaomi phone, I did not know much about smartphone. I occasionally heard that MiPhone I was very difficult to get but had very good reputation. After 3 years of using it,

I love Xiaomi more and more and my passion goes on. I was very lucky to attend 3 Xiaomi release conferences recently and my passion for Xiaomi will last for another 10 years. I think Xiaomi is a very close friend of mine and we know each other and we cannot be separated. Xiaomi has truly become a part of my life and Xiaomi is everywhere in my life. I will continue to support Xiaomi and I want to attend every Xiaomi release conference. When I talk with other MiFans, I feel a sense of achievement, because I really know Xiaomi and I have bought a lot of Xiaomi products. I think I really identify myself as a MiFan. (Male, 18 years old, high school students, Hebei)

At first, I thought Xiaomi was a cheap brand, but now it has become better. The various activities bring me closer to Xiaomi. Xiaomi makes me feel good with a sense of participation. I will continue to participate to those activities and I am very happy with MiFans. (Male, 21-25 years old, associate degree, IT industry)

I know some senior MiFans who, like me, spend two or even more hours every day in managing Xiaomi Forum. We have our own job to do, but it is our love and commitment for Xiaomi that drive us to do so. Xiaomi has become an essential part of my life and is a very good friend of mine. Sometime when I participate in offline activities and tell people my name, they are very happy to meet me in reality and show their admiration. I really feel good about it and feel a sense of achievement. (Male, 21-25, master degree, university student)

By participating in Xiaomi activities, I have met many friends and I really feel thankful to Xiaomi. It is like that I have joined a big family. (Male, 26-30, PhD degree, university student)

3c.3 Purchase Intention and Behavior

According to McKinsey (2009 & 2015), there has been a change in consumer decision journey in the past few years, from the classic journey (see figure 3) to the accelerated loyalty journey (see figure 4).

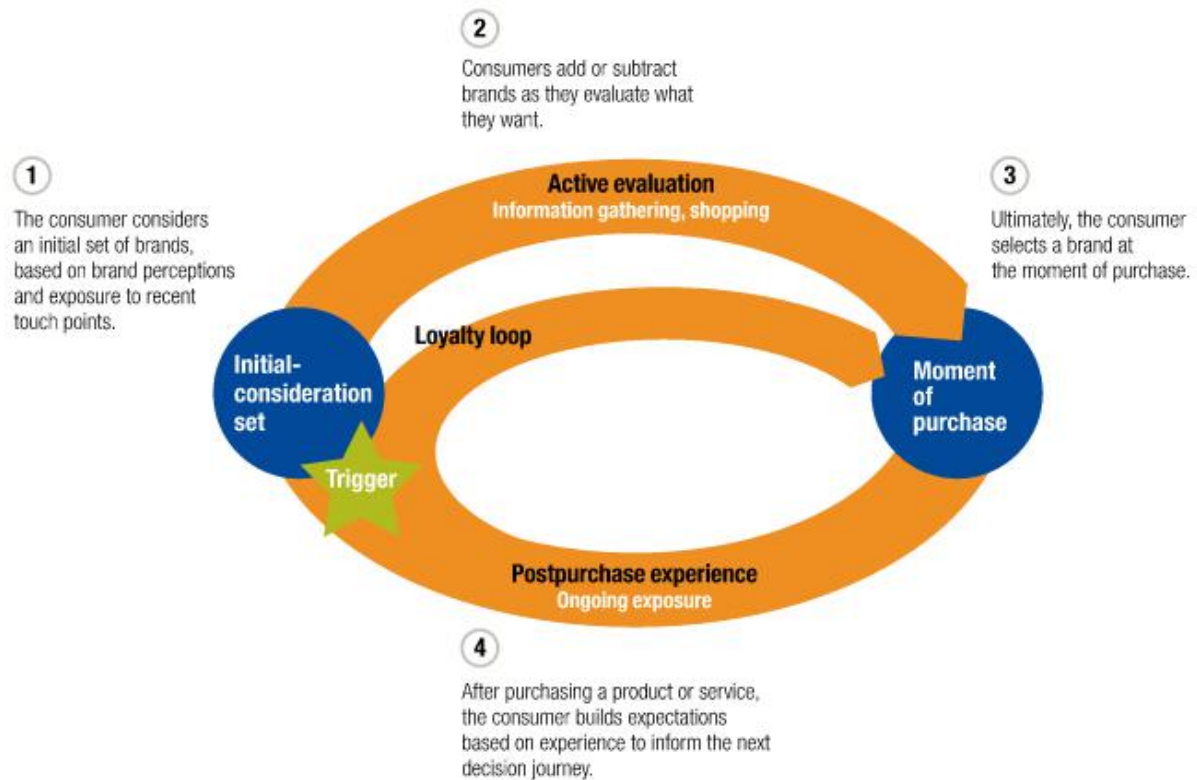


Figure 3: The Consumer decision Journey (McKinsey & Company, 2009)

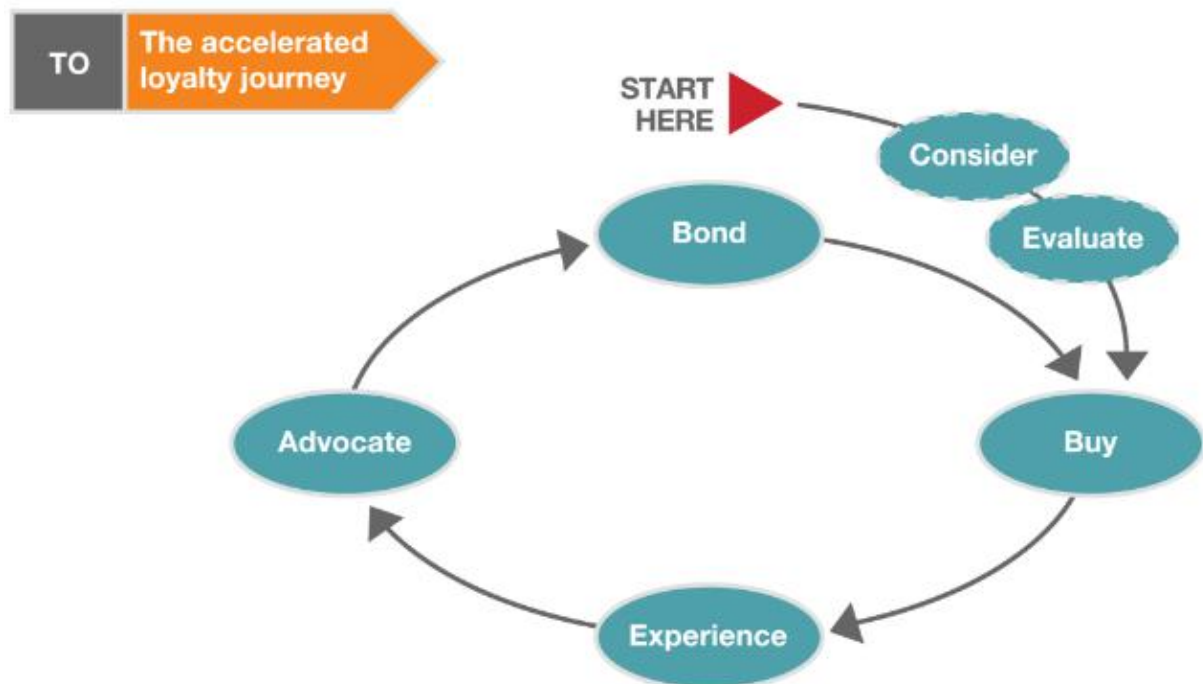


Figure 4: The Consumer decision Journey (McKinsey & Company, 2015)

By building bonds and loyalty with consumers, a brand or company can shorten the consumer decision journey, thus winning a competitive advantage. Xiaomi has succeeded in doing so. In the interviews, all interviewees purchase other Xiaomi products and consider Xiaomi phone as the first choice or even the only choice if they need to buy a new phone. They also actively recommend Xiaomi to people around them. They have very positive brand image and relationship with Xiaomi, and this “positiveness” further fosters high purchase intentions and actions:

I will certainly buy Xiaomi if I need to buy a new phone. I am a MiFan and I support my brand. (Male, 16-20, high school degree, construction industry)

You can even call my house a MiHome, because my house is full of Xiaomi products. (Male, 21-25, bachelor degree, IT industry)

My mom sometimes asks me if Xiaomi pays me, because I always recommend to people around me to buy Xiaomi. Many of my family members use Xiaomi because of my recommendations. (Male, 26-30, bachelor degree, IT industry)

3d. Conclusions and recommendations to Xiaomi

Xiaomi has established various online and offline channels and conducted consumer categorization to engage consumer in co-creation. Both *Xiaomi* and consumers have benefited a lot from it. This Work Project suggests the following influences of Co-creation on consumer behaviors:

1. For brand image, consumers involved in co-creation have a more positive image. Especially, they regard the brand as a caring brand for its consumers;
2. For brand relationship, consumers formulate a very strong brand relationship with a brand;

3. For purchase intention and behavior, fans are in the loyalty loop of their consumer decision journey and show strong repurchase intention to a brand.

During the interviews, I found that most interviewees were young males and many of them are still students. For those who have a job, their salary is not very high, which indicates that, in terms of active *Xiaomi* users, the dominating group is young male, students or white-collars with low purchasing power. I would recommend to *Xiaomi* to now try to attract the elder generation, the female group and those with high purchasing power. *Xiaomi* can design special versions of phones or apps to help the older consumers to better engage in co-creation. *Xiaomi* should develop a strategy to attract more fans from the elder and the female groups. For those with high purchasing power, as *Xiaomi* is traditionally viewed as a cheap brand, it could create a high-end sub-brand to attract this group.

4. Work Project limitations

This project has the following main limitations:

1 Impossibility to interview *Xiaomi* users who directly participate in *Xiaomi* products development. Those kind of fans are very limited in numbers and often very busy, making it very difficult to interview them.

2 Limited interviews with female users and no interviews with the older people. Due to the fact that *Xiaomi* fans are dominated by young male users, it is difficult to find qualified female and older fans to interview.

3 Lack of quantitative research. As explained before, because of the fierce competition in the phone sector, it was impossible to find the relevant people to complete questionnaires.

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